

Georgian Wine Won't Flood Russia

By [The Moscow Times](#)

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TBILISI — Georgian winemakers plan to keep their products out of the Russian market, where they have been a hit since Soviet times, as officials warn their neighbor's World Trade Organization membership may not guarantee fair treatment.

The trade arbiter accepted Russia's inclusion Dec. 16, paving the way for membership next year. That should end an embargo on Georgian goods that dates back to 2006, when the Black Sea nation expelled four Russian servicemen following allegations of spying.

Georgia is striving to recapture the 10 percent or more economic growth it achieved before losing a five-day war with Russia in 2008 and may benefit from renewed wine sales to a market that previously bought four-fifths of its annual output. Still, the government is warning against reigniting dependence on Russia and producers aren't in a hurry to resume shipments, having diversified their export markets to countries as far afield as China.

"The Russian market is so unreliable — not just for us but for everyone — that I don't think it's wise to jump in," Prime Minister Nika Gilauri told reporters Dec. 15 in the capital, Tbilisi.

"It would be a plus for the economy, but I wouldn't put all my eggs in one basket."

Georgia's \$11.6 billion economy expanded 7.5 percent from a year earlier in the third quarter. Standard & Poor's raised its credit rating one level last month to BB-, three short of investment grade, citing "improving public finances." Fitch followed suit Dec. 15.

Georgia exported 59.3 million bottles of wine in 2005, 80 percent of it to Russia, where sales of the drink totaled about 140 billion rubles (\$4.4 billion) last year, Vadim Drobiz, director of the Center for Research into Federal and Regional Alcohol Markets in Moscow, said Dec. 20 by e-mail.

After the embargo, exports slumped 67 percent to 19.5 million bottles and remained about 11 million the following year, according to the Agriculture Ministry.

"We can't ignore the market but we'll wait," George Margvelashvili, president of Tbilisi-based winemaker Tbilvino, said Dec. 16 by phone. "Russia has shown us its true colors and it's a risky environment."

Russia has held talks with Georgian vintners and may allow imports of wine and mineral water by year-end, Interfax reported Oct. 2, citing Russia's public health chief Gennady Onishchenko.

Wine consumption in Russia, at just less than 7 liters per capita, lags behind nations such as France and Germany, where the indicator was 45.23 liters and 24.44 liters in 2009, data from the California-based Wine Institute show.

Some politicians back a resumption of exports to Russia, where consumption is recovering after a recession in 2009. The economy grew 4.8 percent from a year earlier in the third quarter, with retail sales surging 7.6 percent.

"We need to return to the Russian market," Irakli Alasania, an opposition leader, said Nov. 23. Ignoring Russia is "the wrong politics. We mustn't miss this chance."

Georgian wines and Borjomi mineral water were popular in Russia during communist times and remained so after the breakup of the Soviet Union in 1991.

"It was more of a cultural phenomenon for the Russians," Shalva Khetsuriani, head of the Georgian Association of Sommeliers in Tbilisi, said Dec. 20 by phone. "It related to the kind of food they liked, the places they went on holiday — it was more than just wine for them."

"Russia may have to open its market according to the WTO rules," Manana Manjgaladze, a spokeswoman for Saakashvili, said Nov. 22. "It won't have the right to continue its embargo imposed on our products."

Still, Georgian vintners have tapped new markets and are in no rush to resume sales to what was once their biggest customer.

"If the Russian market reopens I'm under no illusions — it's interesting to trade with any country," said Giorgi Piradashvili, co-founder of Winiveria, which produces 45,000 bottles of wine a year in Mtskheta in the east of the country. "But I wouldn't enter the market

immediately — I'm looking to the EU and the United States."

Georgia now exports wine and other products to 50 different nations and is targeting Asia in particular, said Ketevan Bochorishvili, director of the National Investment Agency, in a Dec. 14.

"Wine exports are in great shape right now. We're approaching 18 million bottles this year," Agriculture Minister Zaza Gorozia said in a Dec. 9 interview. "The money we're getting is equal to or more than it was before the embargo."

That's encouraging officials to turn a blind eye to the country's one-time largest export destination.

"The good thing is that right now we don't depend on the Russian market," Premier Gilauri said.

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